

Message Text

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 ARA-10 EUR-10 NSC-10 NSCE-00

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TO SECSTATE WASHDC PRIORITY 8612

C O N F I D E N T I A L LIMA 0678

LIMDIS

EO 11652: XGDS

TAGS: ETRN, ETRD, ECON, PE

SUBJ: GERMANS SIGN TO SUPPLY PIPE FOR TRANS-ANDEAN

OIL PIPELINE BUT US FIRMS STILL HAVE OPPORTUNITY

FOR PARTIAL PARTICIPATION

REF: LIMA 8029 AND PREVIOUS

1. PETRO PERU PRESIDENT GENERAL FERNANDEZ-BACA TOLD EMBOFFS JANUARY 23 THAT PETROPERU AND WEST GERMAN FIRM HOESCH ROHRENWERKE AS SIGNING AGREEMENT TODAY, JANUARY 24, TO SUPPLY PIPE TO TRANS-ANDEAN PIPELINE. FERNANDEZ-BACA SAID THAT GERMANS OFFERED BEST OVERALL TERMS BUT HE DECLINED TO SPECIFY DETAILS. GERMANS WILL HAVE RESPONSIBILITY FOR SUPPLYING PIPE FOR BOTH 36" SECTION AND 24" SECTION OF PIPELINE FROM AMAZON JUNGLE TO BAYOVAR ON PACIFIC COAST.

2. FERNANDEZ-BACA STATED, HOWEVER, THAT TWO US COMPANIES, UNITED STATES STEEL (HOUSTON), AND KAISER (SAN FRANCISCO), HAVE BOTH SUBMITTED BIDS FOR 24" SECTION, ADDING THAT ALTHOUGH US STEEL BID "SOMEWHAT HIGH" IT COULD BE MADE ACCEPTABLE TO PETROPERU IF EXIM FINANCING BECOMES AVAILABLE. HE WENT ON TO EXPLAIN THAT ALTHOUGH GERMANS SIGNING FOR

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WHOLE PACKAGE, NEITHER THEY NOR PETRO PERU PARTICULARLY

INTERESTED IN HAVING THEM SUPPLY 24" SECTION SO THAT APPROPRIATE TERMS FROM US STEEL WITH EXIM ASSISTANCE WOULD NOT PRECLUDE IT FROM OBTAINING CONTRACT FOR 24" SECTION. FERNANDEZ-BACA SAID DIFFERENCE IN BIDS SUBMITTED BY US STEEL AND KAISER BASED ON TRANSPORTATION COSTS, BUT DID NOT ELABORATE.

3. COMMENT-ACTION REQUEST - SINCE EXIM IS ALREADY COMMITTED BOTH TO GOP AND SPCC TO PARTICIPATE IN CUAJONE FINANCING UPON CONCLUSION GREENE SETTLEMENT, WE STRONGLY RECOMMEND WASHINGTON AGENCIES LIKEWISE AGREE TO EXIM PARTICIPATION FOLLOWING GREENE SETTLEMENT IN VITAL PIPELINE PROJECT. IT CLEAR TO US THAT FERNANDEZ-BACA WOULD PREFER SOME US INVOLVEMENT IN PIPELINE PROJECT, AND OF COURSE WE WOULD NOT WANT TO LOSE EXPORT SALES OF PIPELINE CONSTRUCTION MATERIAL FOR U.S. FIRM.
BELCHER

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NNN

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